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My plan would  
route most coal  
trains via Canton, S.D.  
and away from Rochester,  
Minnesota.

forewarned: I'm working  
on yet another letter on  
this subject.

Victoria Rutson, Chief

Section of Environmental Analysis

Office of Economics, Environmental Analysis & Administration

Surface Transportation Board

Washington, D.C. 20423

Esteemed Ms. Rutson:

My home in Omaha was one block from a  
certain freight line. Its trains shook our  
house and whistled loudly yet I grew up  
a train-addict.

Thank you for sending me the SEIS and the STB's  
final decision (re Financial Docket No. 33407) involving the DM&E's  
proposal to "invade" the Powder River Basin (PRB), now adequately  
served by the U.P. and the BNSF. Your letter of May 1 states that  
"a number of petitioners have challenged the Board's final de-  
cision in the 8th Circuit Court of Appeals. Thank god! (Any god.)  
A new DM&E line into the PRB would entail a multibillion dol-  
lar blunder — a misallocation of monetary (and real) resources, which  
we economists are pledged to condemn.

I have over 50 years of experience (at home and abroad) as a  
transportation economist, also <sup>as an</sup> economic geographer, OR analyst  
and half-~~vast~~ mathematician (in other words, "half-assed"). Railroad  
geography has been the main focus of my avocation for 70 years  
(I'm 82.) I have a minor in economic geography. (I half-grasp  
Gödel's proof.)

Your environmental analysis is very convincing, but  
the Board's economic analysis shows geographic illiteracy.

\* Specializing in:

Benefit-Cost Analysis . . . Mathematical Programming . . . Transportation . . . Industrial Policy

over

One of several definitions of "illiterate" is this:  
"Showing a lack of acquaintance with the fundamentals  
of a particular field of knowledge."

Much has been written about the failure of the American  
educational system to train enough mathematicians, scientists  
and engineers. Logic and epistemology are "terrae incog-  
nita." Perhaps even more so is geography. Current re-  
ports indicate that a large majority of Americans cannot  
find <sup>many</sup> states, countries or major cities on a map. As a geog-  
rapher, I have found more than a few instances where peo-  
ple in the railroad community: of managers, regulators,  
financiers, columnists, advocates and buffs — except in Eng-  
land, — are geographical nitwits. Mr. Kevin V. Scheiffer,  
(KVS), CEO of the DM&E, is one of these. But he is on  
the right track in his intention to make his grangers into  
a coal-hauling Class I railroad system. But not by building  
a superfluous railroad through rugged terrain to the Powder River Basin.

Instead, he should focus on the reported 120 billion tons of coal  
in eastern Montana, which deposits are largely untapped. (See enclosed  
clipping on Governor Schweitzer.) Large deposits are around Ashland,  
Montana, which is only about 95 miles from Colony, WY on the DM&E.  
Billings, offers a connection with the Montana Rail Link, which runs  
to Spokane, it is about 200 miles from Colony. The proposed line from  
Well to Gillette is substantially longer. Map A shows that the routing  
from Sault to Rapid City via Canton (for coal trains) and Sioux Falls (for "red balls")  
is shorter than the line from Winona to Rapid City via Rochester and Owa-  
tonna. Linking the DM&E and ICE by upgrading track from Owatonna to Mason  
City is ill-conceived. The shortest distance between two points is NOT a  
ZIG-ZAG. REGARDS Earle W. Orr

5-2

Two's company, there's a crowd. APPENDIX

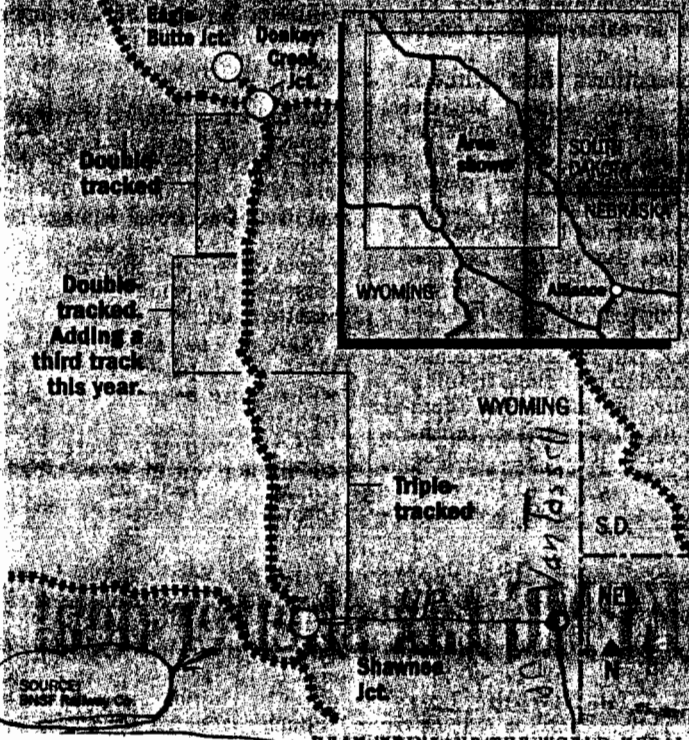
# U.P., partner eye track expansion for coal region

(BNSF)

OW HERALD 02/04/06

## Expanding rail capacity in Wyoming's coal region

Construction of a fourth railroad track on a stretch through Wyoming's coal region shared by Union Pacific and BNSF might begin as early as next year, depending on the outcome of a capacity study.



By STACIE HAMEL  
WORLD-HERALD  
STAFF WRITER

**A** study of rail capacity in the Wyoming coal region could result in the addition of a fourth track to a line shared by Union Pacific Railroad and BNSF Railway Co.

U.P. President and Chief Executive James Young said in a recent interview that construction of a fourth track could begin as soon as next year, depending on the outcome of a study by CANAC, a Canadian railroad engineering company.

Multiple tracks increase the number of trains operating at the same time. Triple tracking, for example, would allow three trains to run side by side.

The railroads are nearly finished triple-tracking their 102-mile joint line in the Southern Powder River Basin of Wyoming. About 18 more miles of the third track will be added this year, leaving about that much left to triple-track.

Demand for coal from Wyoming's Powder River Basin could increase by 100 million to 200 million tons over the next 10 years, one consultant said.

In 2005, more than 325 million tons of coal moved on the joint U.P.-BNSF rail line from the basin. U.P. and BNSF plan to increase that amount by about 10 percent this year, but it won't satisfy demand, Young said.

"We're well-positioned, but the whole logistics chain will be challenged — the mines, the railroads and the utilities," he said.

"We'll have a record year for coal, but I don't think it will be enough."

The six-month study, jointly commissioned by the two railroads, began in late 2005 and is expected to be complete this spring. The study will identify how to increase rail capacity to 500 million to 600 million tons of coal per year.

In 2009, the joint line was affected several times by weather, maintenance and washouts, which limited its ability to move coal. Maintenance work increased after several derailments that were linked to an accumulation of dust that had weakened stability of rail beds after heavy precipitation.

Demand has been increasing for the low-sulfur PRB coal, which costs less than coal from other regions of the United States.

"I just spent time with utility customers in the mines," Young said recently. "We have to think differently, so we've got a full-court press on putting capacity in, bringing in locomotives, hiring and training people to meet that demand."

The study is focusing on transportation capacity but also will look at capacity within the mines, such as the mines' tracks, number of trains each.

See Railroads Page 2

Continued from Page 1  
mine can load now and how many more trains would be needed, said U.P. spokeswoman Kathryn Blackwell.

BNSF spokesman Pat Hiatte said a fourth line isn't assured, though that possibility will be part of the study's "capacity modeling phase."

"It would be premature to say that next capacity piece would be a fourth main," he said.

The joint line runs 102 miles north from where the U.P. and BNSF lines intersect to near Gillette, Wyo. BNSF also operates another rail line out of the mines.

Mines served by the joint rail line have a combined permitted capacity of 440 million tons per year, said Larry Metzroth, vice president of fuels advisory services for Global Energy Decisions. The Boulder, Colo.-based consulting company forecasts energy pricing and supply and demand.

Moving as much coal as mines are capable of producing will require more rail capacity, he said.

If the railroads increase to 400 million tons or more a year,

Both railroads announced 2006 capital projects recently, including projects for their coal routes outside the joint line.

U.P. will spend \$700 million to \$750 million on new capacity for coal this year, compared with \$600 million to \$700 million in recent years, Young said.

BNSF will expand its Lincoln railroad and add another 32 miles of double and triple track to coal routes outside the Southern Powder River Basin.

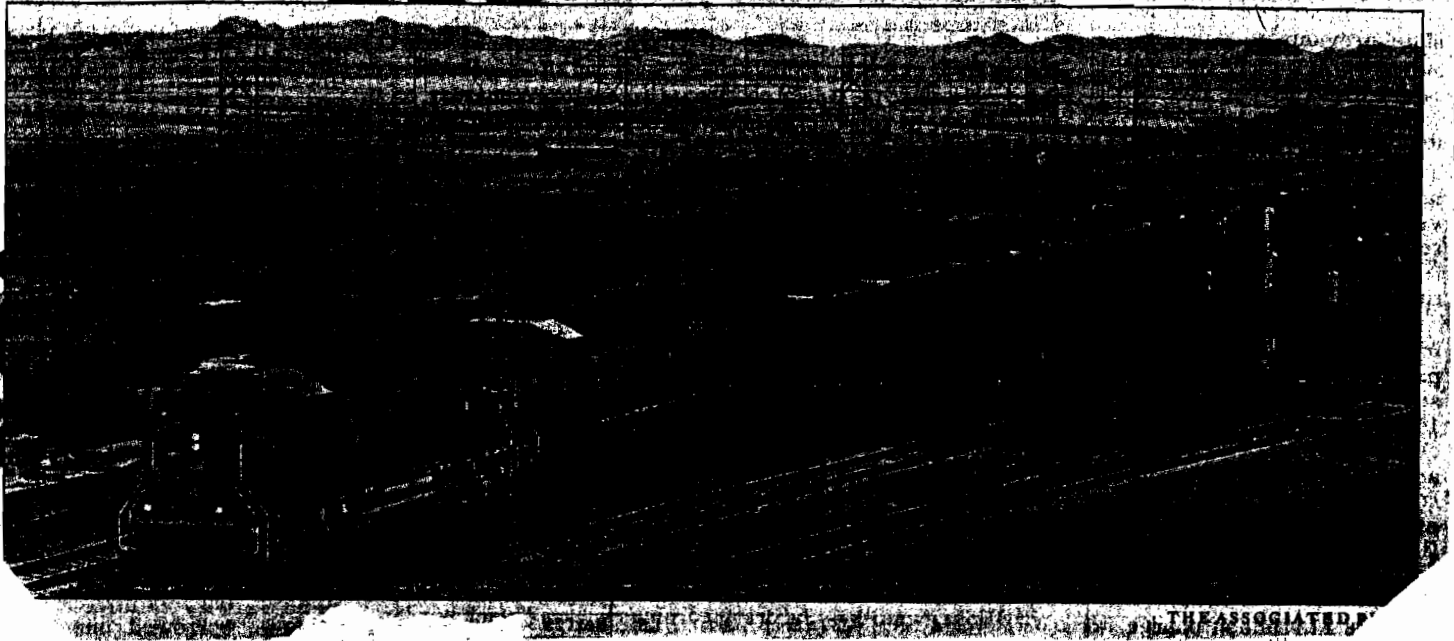
Metzroth said, "They are definitely going to have issues with the triple-track system."

Other parts of the railroads' coal routes also will need attention, he said, including U.P.'s line through western Nebraska to Kansas City, Mo., and BNSF's line that runs through Nebraska and on to St. Louis.

"They need more double- and triple-tracking in sections, need more signals installed, and to rehabilitate and expand their yards," he said. "There will be a need to invest in the system outside of the joint line as well to handle this increase in coal volume."

I goofed when I re-assembled this clipping. No body's perfect! EWJ

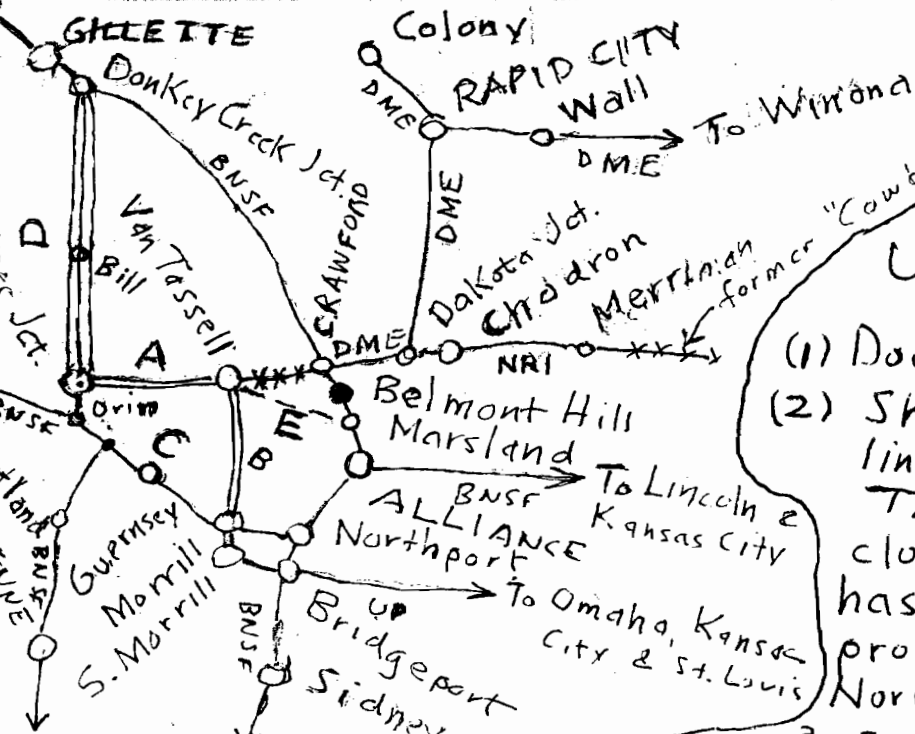
Adding a fourth track hinges on results of a study by a Canadian firm.



TO BILLINGS

SHAWNEE Jct. VAN TASSELL Jct. DONKEY CR. Jct. D

TO DENVER LINK  
 A Shawnee Jct. - Van Tassell  
 B Van Tassell - Morrill  
 C Shawnee Jct - Morrill  
 D Donkey Cr. - Shawnee Jct.  
 E Van Tassell - Marsland  
 triple track = Double track — connecting lines, some with multiple tracks



# A SCHEME for COST REDUCTIONS ON BOTH THE U-P. AND BNSF

- (1) Double track Link C
- (2) Shift UP coal trains from links A and B to Link C. The new routing will be close to 30% shorter and has a very favorable profile—downgrade in the North Platte River valley vs a sawtooth profile.
- (3) Build a double-track railroad on Link E entirely in the Niobrara River valley
- (4) Shift <sup>most</sup> BNSF coal trains to links A and E which shortens the haul and avoids the gradients on Belmont Hill
- (5) Dismantle Link B and salvage track materials.



**UNLIKELY POPULARITY:** Montana Gov. Brian Schweitzer, with Utah Republican Gov. Jon Huntsman Jr. in Salt Lake City, dismisses speculation about his candidacy for a national office.

DOUGLAS C. PIZAC Associated Press

# Democrats Have Eyes on Red-State Governor

Years ago, when an O.R. analyst with Arthur Andersen & Co. (A&C) did a pilot study in the case of the transportation model of linear programming for PEABODY COAL CO. That model could be used

to determine which mines should serve which power generating plants. Why isn't PEABODY COAL CO. already heavily involved in Montana?

NOW!!! This new system reports that there are about 120 BILLION tons of coal just beneath the plains of EASTERN Montana. So why is KVS of the DME so hung up on the coal in the PRB? It states that Montana's coal deposits remain "largely untapped," but are large enough to free America from the [logistics] of OPEX. C'mon, Kevin, it's your patriotic duty to contribute the DME into Montana—and on to Piggy Sound by cozying up to the MRL—and in the process reap profits in a good way (unlike the oil companies). Governor Schweitzer envisions turning coal into liquid fuel. But not all of the states' coal should be hastily converted.



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BUTTE, Mont. — Just about everywhere Gov. Brian Schweitzer goes in Montana — or elsewhere, for that matter — he brings along a dog, a black rock and a small vial of clear, nearly odorless fluid.

The dog is his 2-year-old border collie, Jag, an obedient, camera-friendly companion who helps fill out the down-home image honed by the Democratic governor, who wears jeans, bolo ties and boots to most events.

The rock is a lump of coal, about 120 billion tons of which sits just beneath the lonesome plains of eastern Montana. And the fluid is a synthetic fuel derived from the coal.

Coals-to-fuel, says the governor, a soils scientist who lived in the Middle East for eight years in the 1980s, will be "the greatest boon to engineering and technology since NASA was created" in the late 1950s. With Montana coal, the U.S. could unleash itself from "the sheiks, the dictators, the rats and crooks around the world who are bent on destroying our way of life."

The burly, jolly Schweitzer could just as well be selling snake oil, to hear some of his critics tell it. One environmental group dismisses his promise of earth-friendly coal development this way: "The term 'clean coal' is like saying 'safe cigarettes.'"

But while the coal remains largely untapped, the 50-year-old Schweitzer is not going unnoticed.

A Democrat in a conservative state that gave George W. Bush nearly 60% of the vote in the last two presidential elections, Schweitzer is riding a wave of popularity here: 68% approval ratings in one recent independent poll. Another poll, by the Montana Chamber of Commerce, found that 57% believed the state government was

headed in the right direction, whereas only 47% felt that way about the state's economy.

Schweitzer's success rankles GOP leaders here — "all hat and no cattle," one says of his showmanship; another calls him "a loose cannon."

But it intrigues some Democrats, who wonder whether Schweitzer is the sort of red-state national candidate who could help the party break beyond the "blue zone" of electoral votes that has kept it out of the White House in the last two elections. (Democrats have won along the West Coast, and in the Northeast and Great Lakes region, but endured a virtual shut-out in the South, the Great Plains and the Rocky Mountain states.)

Schweitzer is one of several red-state Democratic leaders who may emerge as either presidential or vice presidential contenders. Others include Mark R. Warner, who just finished his term-limited four-year stint as

governor of Virginia with strong approval ratings that helped his lieutenant governor win the race to succeed him, and Janet Napolitano, Arizona's governor.

Democrats may well consider someone to "break the mold" on their national ticket, said Ed Sarpolus, a Michigan pollster. "There certainly is a feeling that they need someone who can really relate to voters in that huge belt of red."

So far, Schweitzer certainly seems to have demonstrated one natural politician's gift: that of being able to frame the question. No matter what he gets asked about, whether the war in Iraq or gay marriage or abortion rights, he somehow manages to point his answer toward a single word: "coal."

"Why, if we just started with that," he said of his coal program recently as his plane bumped around the state, "it will lead to all kinds of other good things. Energy independence... will create jobs. It will spread to edu-

Schweitzer admits, industry firms are not clamoring to build plants.

"Everybody wants to be the first one to build the second plant" is how he optimistically puts it.

Environmentalists also say the process is a long way from the Holy Grail of creating a fuel whose climate-warming carbon could be reliably stripped and even conceivably pumped back underground. Most coal-to-liquid plants create huge pollution problems, they point out.

None of this stops the governor from pushing his state's product, and his ability to focus the political dialogue here on jobs and the economy has garnered wide attention, from a CBS News "60 Minutes" segment on his plans to a prediction in Roll Call, a bible for Capitol Hill insiders, that he would emerge as "a dark-horse candidate for president in 2008."

There is even a draft-Schweitzer website urging him to run for president. He swears he has never met or talked to the site's creators, bloggers from Arizona, California and Maryland. Schweitzer is "the most intelligent, eloquent politician I have seen in a long time," one says.

Others say he could be a perfect vice presidential candidate, especially to add balance to a ticket headed by, say, a senator from the Northeast.

Schweitzer dismisses speculation about his candidacy for a national office as "kooky" and "silly talk"; he says he's got "the best job in America" and would be crazy to want to live in the White House, and he notes that his state has "only three electoral votes."

Strictly speaking, none of that amounts to a categorical denial.

For now, however, Schweitzer is sticking to Montana, with an occasional sighting at a governors meeting in Washington, D.C., or a quick trip to campaign for a fellow Democrat out of state.

Schweitzer particularly seems to enjoy courting Republicans — so much so that he even selected one to be his running mate as lieutenant governor: John Bohlinger, a courtly, white-

haired former state senator from Billings who makes for an entertaining sidekick at gubernatorial events.

Bohlinger, who bears an uncanny resemblance to the actor and comedian Steve Martin, seems happy to play the two wild-and-crazy-guys routine: He often smells the vial of liquid coal that Schweitzer, who is often compared in looks to NBC political commentator Tim Russert, holds up to a crowd.

"How is this working? Well, I would say quite well," said Bohlinger, 69, referring to their cross-party partnership. "Brian's a very courteous guy. Very charming. He's really reached out. He listens. We've had a real meeting of the minds here."

Raised in the small central Montana town of Geyser, Schweitzer sold irrigation projects (and, for a time, bull semen) in the Middle East before returning to life as a rancher in the northeastern part of the state. He and his college-sweetheart wife, Nancy, have three teenage children.

In his first bid for political office in 2000, he almost knocked off a U.S. Senate Republican incumbent, Conrad Burns. He won the governor's race in 2004, following a scandal-scarred Republican. (Burns is running again this year, and is considered vulnerable because he received more donations than anyone else in Congress from groups linked to lobbyist Jack Abramoff. But Schweitzer is not challenging him; he remains neutral in the Democratic primary but pledges to go all out for the nominee.)

At a Rotary Club speech in Helena, Schweitzer said the "beautiful fuel" from coal would help boost Montana's economy and be a springboard for creation of all kinds of jobs.

"We're no longer competing just with Idaho," he told the crowd of about 75. "We're in competition with India... Not just with Colorado. We're in competition with China."

Schweitzer noticed a man wearing a bolo tie.

"Start with bolo ties," Schweitzer said to laughs, "next thing you know he'll be voting for Democrats."

## Some are sizing up Montana's Schweitzer for 2008. But his focus now is on a campaign for a coal-based fuel.

By SAM HOWE VERHOVEK  
Times Staff Writer

②

cation, to developing engineers and to all kinds of other investments.

It is indeed possible to turn coal into synthetic fuel, with a chemical process that has been tweaked for decades and that was perhaps most notably employed by Nazi Germany once its path to oil was blocked in World War II.

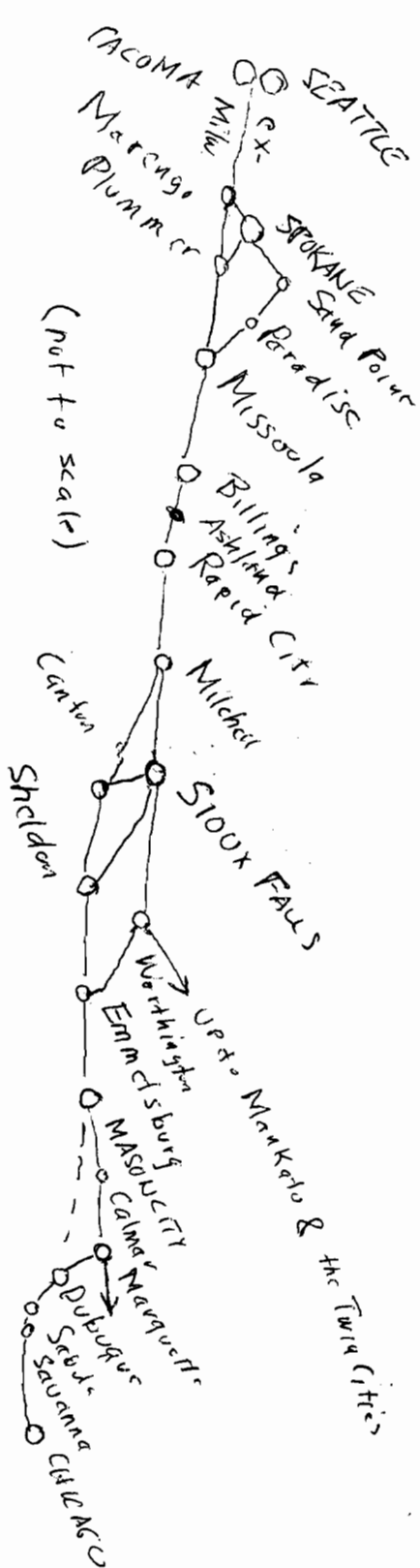
And with the process yielding about two barrels per ton, Montana theoretically could produce 240 billion barrels — or about 30 years' worth of the oil now consumed annually in the U.S.

Schweitzer concedes that the coal-to-fuel plan makes sense economically only if the world-wide average price of crude oil remains above about \$35 a barrel. Oil is trading at about \$69 per barrel now, but until a few years ago it traded at less than \$20 per barrel, and some experts project it will fluctuate back down to those levels.

And because there are engineering issues to be worked out,



## MAP B



The linkage of the DM&E, the ICC and the MRL, with some restored trackage would create a brand-new trunkline system, not just a new Class I. It would share in the booming trade with East Asia — especially China. Later merger with the Iowa Northern and the Wisconsin & Southern, and others, should be explored.